

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

INFO AMEMBASSY BOGOTA

AMEMBASSY LONDON

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMEMBASSY SAN SALVADOR

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: COFFEE: AIDE-MEMOIRE

1. FOLLOWING IS THE TEXT OF THE AIDE-MEMOIRE PRESENTED BY
AMBASSADOR PINHEIRO DURING A CALL ON DEPUTY ASST. SEC.
BOSWORTH.

2. BEGIN TEXT "PURSUANT TO THE DOCUMENT RECENTLY CONVEYED
TO ITAMARATY BY THE EMBASSY OF THE UNITED STATES OF AMER-
ICA IN BRAZILIA, ENTITLED "REPORTED BRAZILIAN PURCHASE OF
SALVADOREAN COFFEE - TALKING POINTS":

A. THE BRAZILIAN GOVERNMENT IS SURPRISED AT THE INTERPRE-
TATION GIVEN BY THE UNITED STATES GOVERNMENT IN REGARD TO
POSSIBLE PURCHASES OF SALVADOREAN COFFEE, IN THE SENSE THAT
SUCH A TRANSACTION WOULD BE CONTRARY TO THE SPIRIT OF CO-
OPERATION AND TO THE BASIC CONCEPTS PRESIDING OVER THE
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INTERNATIONAL COFFEE AGREEMENT.

B. THE INCONTESTABLE PROOF OF BRAZIL'S RESPECT TO THE SPIRIT OF COOPERATION BETWEEN PRODUCERS AND CONSUMERS LIES IN THAT, DESPITE THE CATASTROPHIC EFFECTS OF THE 1975 FROST, BRAZIL, DURING THE FIRST HALF OF THE CURRENT YEAR, EXPORTED 6.6 MILLION BAGS OF COFFEE, WHICH CORRESPONDS TO

MORE THAN 90 PER CENT OF THE SALES EFFECTED DURING EQUAL PERIODS IN 1974 AND 1975, WHEN WORLD AVAILABILITIES WERE AMPLE. STILL MORE SIGNIFICANT IS THE FACT THAT DURING THE MONTH OF JUNE ALONE 2.1 MILLION BAGS WERE SOLD ABROAD - SOME OF THE HIGHEST MONTHLY FIGURES HERETOFORE RECORDED FOR THE COUNTRY - NOTWITHSTANDING, HOWEVER, THE ANNOUNCEMENT BY THE COFFEE AUTHORITIES, AFTER THE FROST, OF THEIR INTENTION OF MAINTAINING AN AVERAGE MONTHLY FLOW OF SALES IN THE ORDER OF 1 MILLION BAGS.

C. THE BRAZILIAN GOVERNMENT IS INDEED CONCERNED OVER THE FACT THAT WITHOUT ANY ALTERATION OF THE STATISTICAL PICTURE OF SUPPLY AND DEMAND, THE INTERNATIONAL PRICES OF COFFEE SHOULD HAVE UNDERGONE A VIOLENT FALL DURING THE LAST FEW WEEKS AS A RESULT OF SPECULATIVE MANEUVERS IN THE NEW YORK EXCHANGE. IT IS THE BELIEF OF THE BRAZILIAN AUTHORITIES THAT SPECULATORS, TAKING ADVANTAGE OF OUR DISPOSITION TO ATTEND IN SO OPEN A MANNER TO THE EXTERNAL DEMAND, HAVE MADE USE OF THE MOMENTARILY SATISFACTORY LEVEL OF AVAILABILITY AS A PRETEXT TO PROVOKE AN ARTIFICIAL DOWNWARD MOVEMENT, OBVIOUSLY UNTENABLE IN THE LONG RUN - CONTRARY, THEREFORE, TO THE PERMANENT INTERESTS OF STABILITY WHICH WE SHARE WITH THE CONSUMER COUNTRIES.

D. BRAZILIAN PURCHASES OF COFFEE, IF MADE, WILL BE IN SUBSTANTIAL LOWER QUANTITY TO THE COUNTRY'S MONTHLY SALES AND IN NO WAY COULD BE VIEWED AS A FORM OF LIMITATION TO THE WORLD SUPPLY. IF SUCH WERE THE PURPOSE OF THE BRAZILIAN GOVERNMENT, IT WOULD HAVE BEEN MORE EFFECTIVE FOR US TO RESTRICT OUR OWN SALES ABROAD.

E. SUCH PURCHASES, WHICH IF MADE, WOULD NOT BE EFFECTED BY THE BRAZILIAN COFFEE INSTITUTE BUT RATHER BY COMMERCIAL UNCLASSIFIED

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ENTITIES, WOULD SERVE TO SUPPLY IN PART THE PRODUCERS OF FREEZE-DRIED COFFEE, WHO REQUIRE FIRST CLASS RAW MATERIAL, OF WHICH BOTH CURRENT AND FUTURE AVAILABILITIES ARE UNSATISFACTORY. IT IS WORTH NOTING THAT IN THE PAST THIS INDUSTRIAL BRANCH HAS ALREADY ACQUIRED COLOMBIAN COFFEE, WITHOUT ANY INTERNATIONAL PERPLEXITIES RESULTING FROM THOSE TRANSACTIONS. IT IS CLEAR, ALSO, THAT THE OPERATION IS FULLY JUSTIFIABLE COMMERCIALY, FOR THE PRODUCT WOULD

BE PROCESSED INTERNALLY AND EXPORTED LATER.
WASHINGTON, D.C., JULY 29, 1976." END TEXT KISSINGER

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